

Exhibit to Agenda Item #1

Authorize the Chief Executive Officer and General Manager to execute the third amendment to the **California Oregon Transmission Project (COTP) Long-Term Layoff Agreement (Agreement)** by and among the **Transmission Agency of Northern California (TANC)** and certain of its members, namely, **SMUD, Modesto Irrigation District (MID), Turlock Irrigation District (TID), the City of Palo Alto, and the City of Roseville**, substantially in form attached, to extend the existing **Agreement** for an additional 10 years to January 31, 2034.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, January 16, 2024, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium

Amendment 3 to California Oregon Transmission Project (COTP) Long Term Layoff Agreement

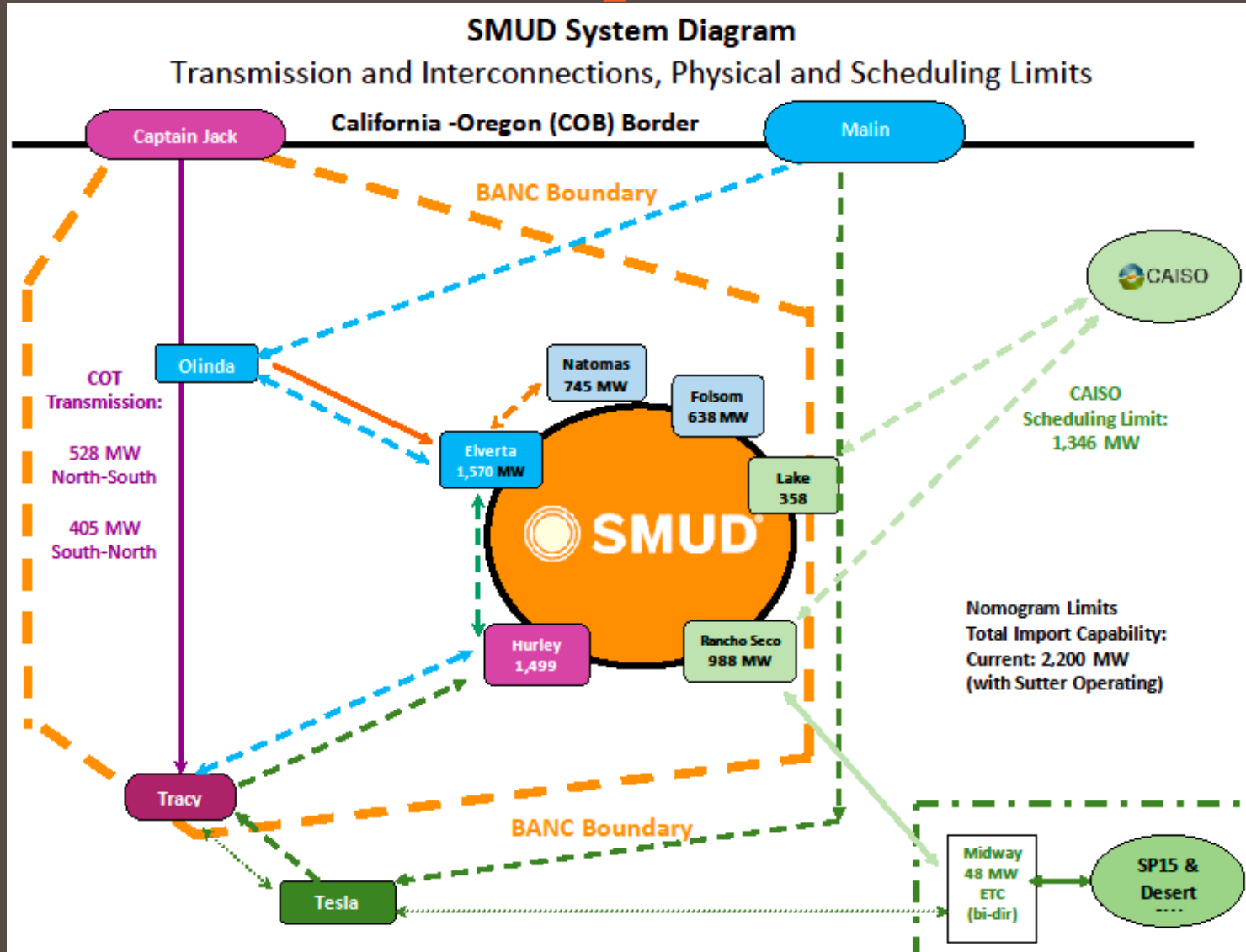
Board Policy

- Strategic Direction SD-2, Competitive Rates; Strategic Direction SD-4, Reliability, Strategic Direction SD-9, Resource Planning

TANC Background

- TANC is a joint powers agency established by a group of California publicly-owned utilities in 1984.
- TANC's initial purpose was to construct the COTP, a 340-mile long, 500-kilovolt (kV) transmission line between the California-Oregon border and Central California. COTP was completed and energized in 1993.
- Today, TANC's purpose is to provide transmission to its Member utilities and day-to-day operations, maintenance, and upgrades to the COTP.
- TANC's current Membership includes 15 publicly-owned utilities, including SMUD.

SMUD Transmission Map



Amendment 3 to California Oregon Transmission Project (COTP) Long Term Layoff Agreement

Transaction Background

- In March of 1990, SMUD, MID, TID, Palo Alto, and Roseville entered into the TANC Project Agreement No. 3 (“TANC PA 3”).
- In the original 2009 Agreement, Palo Alto and Roseville laid off their entitlement to TANC’s Transfer Capability on the COTP associated with their participation percentages under TANC PA 3 to SMUD, MID, and TID for a fifteen-year term of the Agreement.

Amendment 3 to California Oregon Transmission Project (COTP) Long Term Layoff Agreement

Transaction Background cont.

- In the Agreement, SMUD, MID, and TID accepted and assumed all of Palo Alto and Roseville's participation percentages under TANC PA 3 for the term of the Agreement.
- Amendment No. 1 returned Roseville's COTP interests from SMUD, MID, and TID back to Roseville, and clarified Palo Alto's voting rights under TANC PA 3.
- Amendment No. 2 provided that Debt Service for the 2016A Bonds and any extension thereof associated with Palo Alto's 3.6815 participation percentage would be paid by SMUD, MID, and TID .

Amendment 3 to California Oregon Transmission Project (COTP) Long Term Layoff Agreement

Context

- The Agreement commenced on February 1, 2009 and is scheduled to expire on January 31, 2024, if this Amendment is not approved.
- The Parties have negotiated to extend the Agreement for ten years and to add an annual market payment to Palo Alto from SMUD, MID, and TID .
- SMUD's share of the market payment is approximately \$244,000 per year in the first 5 years and \$355,000 per year in the last 5 years.
- This Amendment will also extend the term of Roseville's layoff of its South of Tesla ("SOT") allocation.

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Benefits

- Portfolio & Reliability Diversification
 - Northwest market access
 - Regional renewable integration
 - Access to Western Power Pool reserve sharing group
 - Risk Mitigation
- Enhances coordination in the operation of the COTP for TANC Members
- The cost of this transmission is below market when compared to short-term transmission which might not be available on the market during peak conditions
- SMUD maintains a total of 528 MW of North to South and 405 MW of South to North COTP Transmission

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Key Contract Terms

- Transfer Capability: 22 MW North to South, 17 MW South to North
- Total Cost: Approximately \$755,000 per year for SMUD's share
- Term: February 1, 2024 through January 31, 2034

Requested Action

Authorize the Chief Executive Officer and General Manager to execute the third amendment to the **California Oregon Transmission Project (COTP) Long-Term Layoff Agreement (Agreement)** by and among the **Transmission Agency of Northern California (TANC)** and certain of its members, namely, **SMUD, Modesto Irrigation District (MID), Turlock Irrigation District (TID), the City of Palo Alto, and the City of Roseville,** substantially in form attached, to extend the existing **Agreement** for an additional 10 years to January 31, 2034.